

WILLOW LAKE SCHOOL DISTRICT NO. 12-3

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2009

HARRINGTON & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANT

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2009

Board Members:

Sandra Hovde
Troy Grensberg
Butch Brenden
Steve Haug
Jessica Michalski

Superintendent:

Kevin Quimby

Business Manager:

Janet Denman

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board
Willow Lake School District No. 12-3
Clark County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Willow Lake School District No. 12-3, Clark County, South Dakota, as of and for the year ended June 30, 2009, which collectively comprise Willow Lake School District's basic financial statements and have issued our report thereon dated, April 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Willow Lake School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Willow Lake School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Willow Lake School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Willow Lake School District No. 48-3, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Harrington & Associates, LTD.

Huron, South Dakota
April 22, 2010

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

The prior audit report contained no written audit comments.

PRIOR OTHER AUDIT FINDINGS:

There are no prior other written audit findings to report.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

CURRENT FEDERAL COMPLIANCE AUDIT FINDINGS:

The current audit report contained no written audit comments.

CURRENT OTHER COMPLIANCE AUDIT FINDINGS:

The current audit report contained no written audit comments.

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INDEPENDENT AUDITOR'S REPORT

School Board
Willow Lake School District No. 12-3
Clark County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Willow Lake School District No. 12-3, Clark County, South Dakota, as of and for the year ended June 30, 2009, which collectively comprise Willow Lake School District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Willow Lake School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Willow Lake School District No. 12-3 as of June 30, 2009, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 21, 2010 on our consideration of Willow Lake School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and, should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 47 through 55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Harrington & Associates, LTD.

Huron, South Dakota
April 22, 2010

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Willow Lake School District 12-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2009. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$157,829 less than the \$2,268,844 governmental and business-type program expenditures.
- The total cost of the School's governmental programs increased overall by \$246,070 or 11.0%.
Expenditure Comparison by Fund:

	General	Capital Outlay	Special Education	Pension
FY 08	1,584,445	165,112	299,725	36,433
FY 09	<u>1,633,533</u>	<u>327,277</u>	<u>303,020</u>	<u>37,855</u>
	+49,088	+162,265	+3,295	+1,422

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Willow Lake School's Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds and the fiduciary component units)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets *Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The district's combined net assets changed as follows:

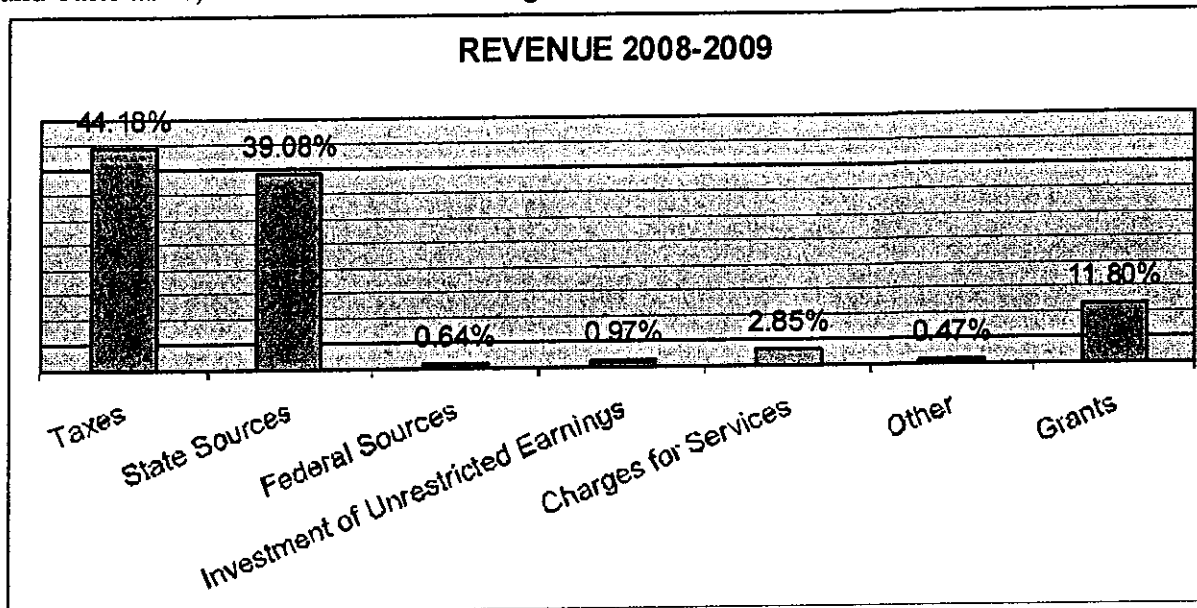
Table A-1 Willow Lake School District No. 12-3 Statement of Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and Other Assets	1,721,851	1,439,624	14,112	11,054	1,735,963	1,450,678
Capital Assets	603,774	687,463	4,902	3,890	608,676	691,353
Total Assets	2,325,625	2,127,087	19,014	14,944	2,344,639	2,142,031
Long-Term Debt Outstanding	303,177	227,922	-	-	303,177	227,922
Other Liabilities	183,944	187,395	-	-	183,944	187,395
Total Liabilities	487,121	415,317	-	-	487,121	415,317
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	394,536	459,541	4,902	3,890	399,438	463,431
Restricted	768,865	645,809	14,112	11,054	782,977	656,863
Unrestricted	675,103	606,420	0	0	675,103	606,420
Total Net Assets	1,838,504	1,711,770	19,014	14,944	1,857,518	1,726,714
Beginning Net Assets	1,867,103	1,865,529	18,424	19,014	1,885,527	1,884,543
Increase (Decrease) in Net Assets	-28,599	-153,759	590	-4,070	-28,009	-157,829
Percentage of Increase (Decrease) in Net Assets	-1.53%	-8.24%	3.20%	-21.41%	-1.49%	-8.37%

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, early retirement benefits payable and capital outlay certificates payable, have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

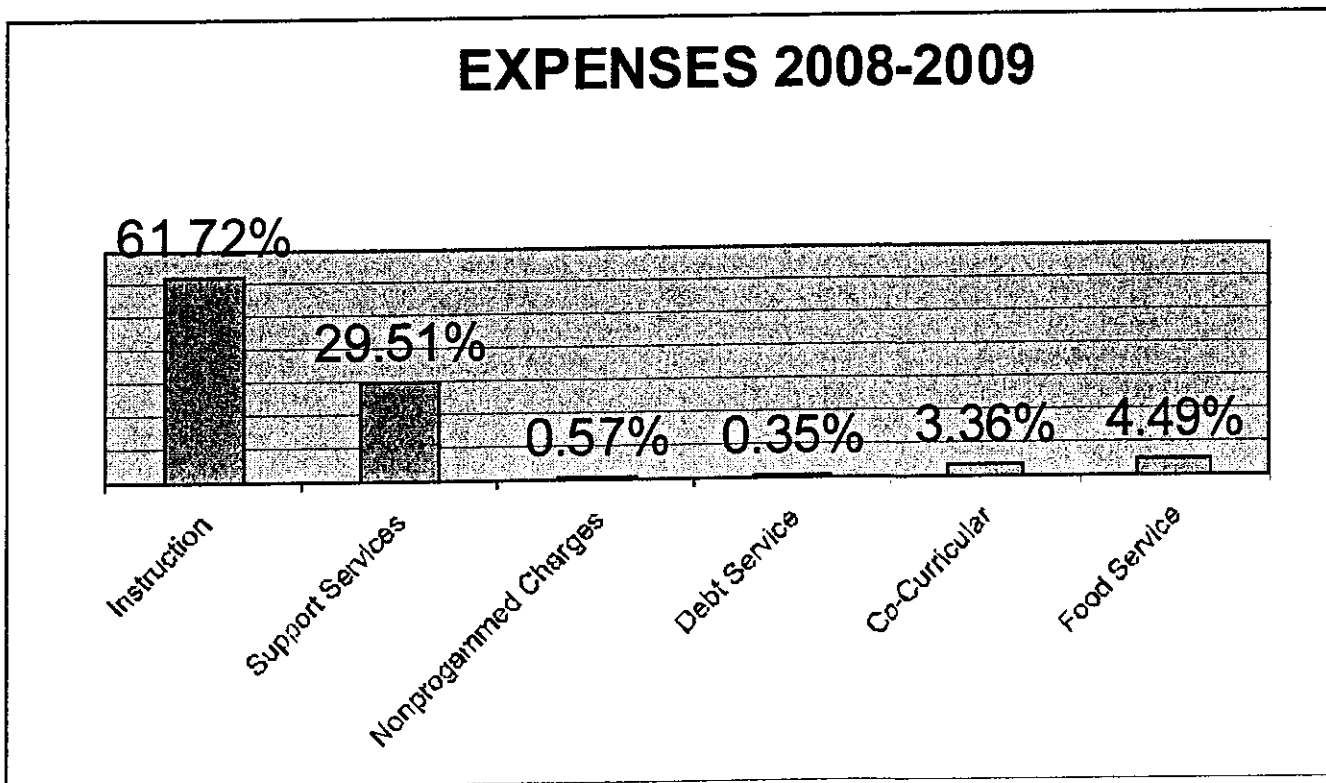
**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Assets

The School's total revenues totaled \$2,111,015. Over 44% of the School's revenue comes from property and other taxes, with another 39% coming from state aid.



The total cost of all programs and services totaled to \$2,268,844. The School's expenses cover a range of services, encompassing instruction, support services and food services.



WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENTAL ACTIVITIES

Table A-2 and the narratives previously considers the operations of the governmental and business-type activities.

GOVERNMENTAL ACTIVITIES

Table A-4 and the narrative that follows considers the operations of the governmental activities.

Table A-4
WILLOW LAKE SCHOOL DISTRICT NO 12-3
Changes in Net Assets

	Total Governmental Activities		Total Business-Type Activities		Total		Total Percentage Change
	2008	2009	2008	2009	2008	2009	
Revenues							
Program Revenues							
Charges for Services	\$ 14,930	\$ 27,256	\$ 30,948	\$ 33,007	\$ 45,878	\$ 60,263	31.4%
Operating Grants and Contributions	148,853	184,263	62,992	64,871	211,845	249,134	17.6%
General Revenues							
Taxes	1,076,720	932,565	-	-	1,076,720	932,565	-13.4%
Revenue State Sources	806,195	825,079	-	-	806,195	825,079	2.3%
Revenue Federal Sources	15,304	13,550	-	-	15,304	13,550	-11.5%
Other General Revenues	36,972	9,961	-	-	36,972	9,961	-73.1%
Unrestricted Investment Earnings	15,450	20,463	-	-	15,450	20,463	32.4%
Total Revenues	2,114,424	2,013,137	93,940	97,878	2,208,364	2,111,015	-4.4%
Expenses							
Instruction	\$ 1,328,917	\$ 1,400,343	\$ -	\$ -	\$ 1,328,917	\$ 1,400,343	5.4%
Support Services	654,299	669,539	-	-	654,299	669,539	2.3%
Nonprogrammed Charges	80,851	12,887	-	-	80,851	12,887	
Debt Service	12,714	7,916	-	-	12,714	7,916	-37.7%
Cocurricular Activities	61,380	76,211	-	-	61,380	76,211	24.2%
Food Service/Concessions	-	-	98,212	101,948	98,212	101,948	3.8%
Total Expenses	2,138,161	2,166,896	98,212	101,948	2,236,373	2,268,844	1.5%
Excess (Deficiency) Before Transfers	(23,737)	(153,759)	(4,272)	(4,070)	(28,009)	(157,829)	463.5%
Transfers	-	-	-	-	-	-	0.0%
Increase (Decrease) in Net Assets	(23,737)	(153,759)	(4,272)	(4,070)	(28,009)	(157,829)	463.5%

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS-TYPE ACTIVITIES

Overall Food Service decreased net assets. Factors contributing to these results included:

- Free and reduced meal eligibility decreased generating less revenues and foods costs increased.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund Balance decreased \$99,229. Capital Outlay Fund Balance decreased by \$127,591. Special Education increased \$11,219 and the Pension Fund did not have any significant change in fund balance for the year. The overall decrease in fund balance was due to capital outlay purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by budget carryovers received.

The general fund noted some significant positive expenditure budget variances due to stimulus monies received to reimburse elementary salaries and fuel costs for transportation and heating not being as high as expected.

CAPITAL ASSET ADMINISTRATION

By the end of 2009, the School had invested \$1,962,698 in a broad range of capital assets, including, land, buildings, various machinery and equipment. The accumulated depreciation on this property totals to \$1,275,235.

LONG-TERM DEBT

The School is liable for the payment of unused sick leave upon leaving the district. Those certified staff members and the business manager who meet the criteria may receive \$10 per day for unused sick leave up to a maximum of 25 days or \$250 per person.

The school district has \$160,000 remaining in Capital Outlay Certificates Payable, and \$4,745 on the Promissory Note. The School paid the debt service principal and interest payments of the long-term debt in the amount of \$47,493 for principal and \$7,916 for interest. Payment on all the debt will be completed in 2013.

The school district maintains early retirement plan for retired teachers, which allows those meeting certain qualifications, to receive 75% to 100% of their base salary in several different payment options. In the fiscal year 2008 five retired employees received benefits. The school is liable for \$46,340 over the next five years.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown little change. Fund balances mainly decreased even with opt-out revenues because of increased operating expenses. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes for the Capital Outlay, Special Education and Pension Funds. The total amount which can be levied in General Fund is limited by the State of South Dakota at rates reestablished annually by the legislature.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,665 per pupil. The School, in addition to staff reduction, program and budget cuts already implemented, will continue to review the budget to determine if additional cuts may be made that will not compromise quality education.

Willow Lake School District ADM

<u>Year</u>	<u>ADM</u>	<u>Percent</u>
2009	193	0.0%
2008	193	(5.4%)
2007	204	(1.4%)
2006	207	(3.7%)

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Willow Lake School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Willow Lake School District Business Office, PO Box 170, Willow Lake, SD 57278.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET ASSETS
JUNE 30, 2009

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS:			
Cash and Cash Equivalents	\$ 978,503	\$ 3,925	\$ 982,428
Permanent Incidental	2,100	-	2,100
Taxes Receivable	454,090	-	454,090
Inventories	-	4,078	4,078
Other Assets	4,931	3,051	7,982
Capital Assets:			
Land	5,800	-	5,800
Other Capital Assets, Net of Depreciation	681,663	3,890	685,553
TOTAL ASSETS	\$ 2,127,087	\$ 14,944	\$ 2,142,031
LIABILITIES:			
Other Current Liabilities	\$ 187,395	\$ -	\$ 187,395
Noncurrent Liabilities:			
Due Within One Year	57,915	-	57,915
Due in More than One Year	170,007	-	170,007
TOTAL LIABILITIES	415,317	-	415,317
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	459,541	3,890	463,431
Restricted for:			
Capital Outlay	641,274	-	641,274
Special Education	4,535	-	4,535
Food Service	-	11,054	11,054
Unrestricted	606,420	-	606,420
TOTAL NET ASSETS	1,711,770	14,944	1,726,714
TOTAL LIABILITIES AND NET ASSETS	\$ 2,127,087	\$ 14,944	\$ 2,142,031

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	
Primary Government:			
Governmental Activities:			
Instruction	\$ 1,400,343	\$	1,500
Support Services	669,539		16,368
Nonprogrammed Charges	12,887		
Interest on Long-term Debt	7,916		
Cocurricular Activities	76,211		9,388
Total Governmental Activities	2,166,896		27,256
Business-type Activities			
Food Service	101,948		33,007
Total Business-type Activities	101,948		33,007
Total Primary Government	\$ 2,268,844	\$	60,263

The accompanying notes are an integral part of these financial statements.

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		PRIMARY GOVERNMENT	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ 184,263	\$ -	\$ (1,214,580)	\$ -	\$ (1,214,580)	
		(653,171)	-	(653,171)	
		(12,887)	-	(12,887)	
		(7,916)	-	(7,916)	
		(66,823)	-	(66,823)	
184,263	-	(1,955,377)	-	(1,955,377)	
64,871	-	-	(4,070)	(4,070)	
64,871	-	-	(4,070)	(4,070)	
\$ 249,134	\$ -	\$ (1,955,377)	\$ (4,070)	\$ (1,959,447)	

GENERAL REVENUES:

Taxes:

Property Taxes	\$ 886,234	\$ -	\$ 886,234
Gross Receipts Taxes	46,331	-	46,331
Revenue from State Sources:			
State Aid	825,079	-	825,079
Revenue from Federal Sources	13,550	-	13,550
Unrestricted Investment Earnings	20,463	-	20,463
Other General Revenues	9,961	-	9,961
Total General Revenues and Transfers	1,801,618	-	1,801,618
Change in Net Assets	(153,759)	(4,070)	(157,829)
Net Assets-Beginning	1,838,504	19,014	1,857,518
Adjustments (See Note 7)	27,025	-	27,025
Adjusted Net Assets- Beginning	1,865,529	19,014	1,884,543
Net Assets-Ending	\$ 1,711,770	\$ 14,944	\$ 1,726,714

WILLOW LAKE SCHOOL DISTRICT NO.12-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	GENERAL FUND	CAPITAL OUTLAY FUND
ASSETS:		
Cash and Cash Equivalents	\$ 319,177	\$ 641,274
Permanent Incidental	2,100	-
Taxes Receivable--Current	280,875	60,761
Taxes Receivable--Delinquent	4,860	2,239
Due from Other Governments	4,931	
TOTAL ASSETS	\$ 611,943	\$ 704,274
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Contracts Payable	\$ 132,590	\$ -
Payroll Deductions and Withholding and Employer Matching Payable	41,288	-
Deferred Revenue	285,735	63,000
Total Liabilities	459,613	63,000
Fund Balances:		
Unreserved Fund Balances:		
Designated for Unemploment self-insurance	2,400	-
Undesignated	149,930	641,274
Total Fund Balances	152,330	641,274
TOTAL LIABILITIES AND FUND BALANCES	\$ 611,943	\$ 704,274

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
\$ 18,052	\$ -	\$ 978,503
-	-	2,100
85,120	18,230	444,986
1,661	344	9,104
-	-	4,931
<u>\$ 104,833</u>	<u>\$ 18,574</u>	<u>\$ 1,439,624</u>

\$ 10,010	\$ -	\$ 142,600
3,507	-	44,795
86,781	18,574	454,090
<u>100,298</u>	<u>18,574</u>	<u>641,485</u>

-	-	2,400
4,535	-	795,739
<u>4,535</u>	<u>-</u>	<u>798,139</u>
<u>\$ 104,833</u>	<u>\$ 18,574</u>	<u>\$ 1,439,624</u>

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds \$ 798,139

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

The cost of capital assets are	1,962,698	
Accumulated depreciation is	<u>(1,275,235)</u>	
Net		687,463

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Promissory Note	(4,745)	
Capital outlay certificates 1997	(160,000)	
Accrued leave payable (vacation)	(3,750)	
Early Retirement Payable	(46,340)	
Other Post Employment Benefits	<u>(13,087)</u>	
Net		(227,922)

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

General Fund receivable	285,735
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Capital Outlay Fund receivable	63,000
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Special Education fund receivable	86,781
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Pension fund receivable	<u>18,574</u>
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Net Assets-Governmental Funds \$ 1,711,770

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND	CAPITAL OUTLAY FUND
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 550,794	\$ 188,994
Prior Years' Ad Valorem Taxes	2,592	1,076
Gross Receipts Taxes	46,331	-
Penalties and Interest on Taxes	1,497	675
Tuition and Fees:		
Regular Day School Tuition	1,500	-
Earnings on Investments and Deposits	11,560	8,772
Cocurricular Activities:		
Admissions	9,388	-
Other Revenue from Local Sources:		
Rentals	40	-
Charges for Services	10,665	-
Other	-	269
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	9,652	-
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	731,519	-
Restricted Grants-in-Aid	6,943	-
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	138,273	-
Other Federal Revenue	13,550	-
Total Revenue	\$ 1,534,304	\$ 199,786

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND		OTHER GOVERNMENTAL FUND		TOTAL GOVERNMENTAL FUNDS	
\$	174,867	\$	37,460	\$	952,115
	753		159		4,580
	-		-		46,331
	309		105		2,586
	-		-		1,500
	-		131		20,463
	-		-		9,388
	-		-		40
	5,703		-		16,368
	-		-		269
	-		-		9,652
	-		-		731,519
	86,617		-		93,560
	45,990		-		184,263
	-		-		13,550
\$	314,239	\$	37,855	\$	2,086,184

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	438,279	25,963
Middle/Junior High	130,889	-
High School	404,604	34,162
Preschool Services	715	-
Special Programs:		
Gifted and Talented	300	-
Programs for Special Education	-	-
Educationally Deprived	65,366	-
Support Services:		
Pupils:		
Guidance	4,444	-
Psychological	-	-
Speech Pathology	-	-
Student Therapy Services	-	-
Support Services - Instructional Staff:		
Improvement of Instruction	17,762	-
Educational Media	61,829	341
Support Services - General Administration:		
Board of Education	30,034	-
Executive Administration	48,116	-
Support Services - School Administration:		
Office of the Principal	64,410	-
Other	500	-
Support Services - Business:		
Fiscal Services	48,810	3,175
Facilities Acquisition and Construction	-	-
Operation and Maintenance of Plant	147,445	23,029
Pupil Transportation	99,592	27,249
Support Services - Central:		
Staff	157	-

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
-	37,855	502,097
-	-	130,889
-	-	438,766
-	-	715
-	-	300
225,620	-	225,620
-	-	65,366
-	-	-
505	-	4,949
16,000	-	16,000
31,763	-	31,763
26,948	-	26,948
337	-	18,099
-	-	62,170
646	-	30,680
-	-	48,116
-	-	64,410
-	-	500
-	-	51,985
-	-	-
-	-	170,474
-	-	126,841
-	-	157

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND	CAPITAL OUTLAY FUND
Expenditures:		
Support Services - Special Education:		
Transportation Costs	-	-
Early Retirement	16,594	-
Debt Services		55,409
Cocurricular Activities:		
Male Activities	24,088	3,332
Female Activities	17,278	10,044
Transportation	6,968	-
Combined Activities	5,353	-
Capital Outlay	-	144,673
Total Expenditures	1,633,533	327,377
Excess of Revenue Over (Under)		
Expenditures	(99,229)	(127,591)
Other Financing Sources (Uses):		
Sale of Surplus Property	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	(99,229)	(127,591)
Fund Balance - Beginning	251,559	768,865
Fund Balance - Ending	\$ 152,330	\$ 641,274

The accompanying notes are an integral part of these financial statements.

SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
1,201	-	1,201
-	-	16,594
-	-	55,409
-	-	27,420
-	-	27,322
-	-	6,968
-	-	5,353
-	-	144,673
303,020	37,855	2,301,785
11,219	-	(215,601)
-	-	-
-	-	-
11,219	-	(215,601)
(6,684)	-	1,013,740
\$ 4,535	\$ -	\$ 798,139

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Total net change in fund balances - governmental funds \$ (215,601)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.	Capital Outlays	144,673	
	Depreciation Expense	<u>(60,984)</u>	
	Net		83,689
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	Promissory Note	9,493	
	Capital Outlay Certificates 1997	35,000	
	Note Payable	<u>3,000</u>	
	Net		47,493
In both government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statements differ from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	Taxes receivable	444,986	
	Taxes collected	<u>(518,033)</u>	
	Net		(73,047)
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	Vacation	200	
	Early Retirement	16,594	
	Other postemployment benefits	<u>(13,087)</u>	
	Net		3,707

Change in net assets of governmental activities \$ (153,759)

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2009

	ENTERPRISE FUNDS
	FOOD SERVICE
	FUND
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 3,925
Accounts Receivable, Net	3,051
Inventory of Supplies	458
Inventory of Stores Purchased for Resale	2,894
Inventory of Donated Food	726
	<hr/>
Total Current Assets	11,054
	<hr/>
Capital Assets:	
Machinery and Equipment-Local Funds	14,067
Machinery and Equipment-Federal Funds	8,885
Less: Accumulated Depreciation-Local Funds	(10,177)
Less: Accumulated Depreciation-Federal Funds	(8,885)
	<hr/>
Total Noncurrent Assets	3,890
	<hr/>
TOTAL ASSETS	\$ 14,944
	<hr/>
NET ASSETS:	
Invested in Capital Assets	3,890
Unrestricted Net Assets	11,054
	<hr/>
TOTAL NET ASSETS	\$ 14,944
	<hr/>

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>ENTERPRISE FUNDS</u> <u>FOOD SERVICE</u> <u>FUND</u>
Operating Revenue:	
Sales:	
To Pupils	\$ 28,748
To Adults	3,930
A la Carte	329
	<u>33,007</u>
Total Operating Revenue	
Operating Expenses:	
Food Service:	
Salaries	36,213
Employee Benefits	3,895
Purchased Services	1,373
Supplies	776
Cost of Sales - Purchased Food	53,389
Cost of Sales - Donated Food	4,900
Miscellaneous	390
Depreciation - Local Funds	1,012
	<u>101,948</u>
Total Operating Expenses	
Operating Loss	<u>(68,941)</u>
Nonoperating Revenue:	
State Sources:	
Cash Reimbursements	525
Federal Sources:	
Cash Reimbursements	60,289
Donated Food	4,057
	<u>64,871</u>
Total Nonoperating Revenue	
Change in Net Assets	<u>(4,070)</u>
Net Assets - Beginning	<u>19,014</u>
Net Assets - Ending	<u>\$ 14,944</u>

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS FOOD SERVICE FUND
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 33,067
Payments to Suppliers	(57,370)
Payments to Employees	(40,108)
	<u>(64,411)</u>
Net Cash Used by Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Cash Reimbursements - State	525
Cash Reimbursements - Federal	60,289
	<u>60,814</u>
Net Cash Provided by Noncapital Financing Activities	
	<u>60,814</u>
Net Decrease in Cash and Cash Equivalents	\$ (3,597)
Cash and Cash Equivalents at Beginning of Year	\$ 7,522
Cash and Cash Equivalents at End of Year	<u>3,925</u>
Net Decrease in Cash and Cash Equivalents	<u>\$ (3,597)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (68,941)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation Expense	1,012
Change in Assets and Liabilities:	
Accounts Receivable	60
Inventories	(1,442)
Value of Donated Commodities Used	4,900
	<u>4,900</u>
Net Cash Used by Operating Activities	<u>\$ (64,411)</u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	<u>\$ 4,057</u>

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	PRIVATE-PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 33,067
Investments, at Fair Value	5,806	-
TOTAL ASSETS	\$ 5,806	\$ 33,067
LIABILITIES:		
Amounts Held for Others	\$ -	\$ 33,067
TOTAL LIABILITIES	-	33,067
NET ASSETS:		
Held in Trust for School Scholarship	5,806	-
TOTAL LIABILITIES AND NET ASSETS	\$ 5,806	\$ 33,067

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>PRIVATE-PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Other Additions	<u>\$ 395</u>
Total Additions	<u>395</u>
DEDUCTIONS:	
Trust Deductions for Scholarships	<u>200</u>
Total Deductions	<u>200</u>
Change in Net Assets	195
NET ASSETS - BEGINNING	<u>5,611</u>
NET ASSETS - ENDING	<u><u>\$ 5,806</u></u>

The accompanying notes are an integral part of these financial statements.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of Willow Lake School District No. 12-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District has no component units as defined by GASB 14.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

b. Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Governmental Funds:

General Fund - A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Debt Service Fund Types - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds:

Enterprise Funds - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Fund Types - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income, benefit individuals, private organizations, or other governments. The School District maintains only one private-purpose trust fund for the purpose of scholarships.

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs and athletic teams which account for the monies earned for the various class, club or team projects.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements: In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental and similar fiduciary fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

Basis of Accounting:

Government-Wide Financial Statements: In the government-wide, Statement of Net Assets and Statement of Activities and the fund-financial statements, governmental and business-type activities are presented using the accrual basis of accounting. Revenues and related assets are recorded when earned and expenses and related liabilities are recorded when an obligation has incurred regardless of when the related cash flows take place.

Fund Financial Statements: All governmental funds and similar fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Willow Lake School District No. 12-3, the length of that cycle is sixty days.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The governmental business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements: In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

d. Interfund Eliminations and Reclassifications: (cont'd)

Fund Financial Statements: Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets are not capitalized along with other capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated.

Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

e. Capital Assets: (cont'd)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 500	--	--
Land Improvements	\$ 10,000	Straight-line	20 yrs.
Buildings	\$ 20,000	Straight-line	50 yrs.
Machinery and Equipment			
Governmental	\$ 2,000	Straight-line	4-20 yrs.
Equipment - Proprietary	\$ 1,000	Straight-line	4-20 yrs.
Land, an inexhaustible capital asset, is not depreciated.			

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, early retirement benefits payable, and capital outlay certificates payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as it is in the government-wide statements.

g. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

g. Program Revenues: (cont'd)

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, Revenues, Expenses and Changes in Fund Net Assets are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by employees at varying rates depending on employment status and must be used by June 30 each year or forfeited. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at varying rates depending on employment status. Upon termination, employees are entitled to receive compensation for their accrued sick leave balance on the basis of \$10.00 per day, up to a maximum of 25 days if they have worked in the school for a minimum of five years immediately preceding termination of employment.

j. Deferred Revenue:

Receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

k. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. The enterprise funds have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

1. Equity Classifications:

Government-Wide Statements: Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements: Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

m. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

n. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b).

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the fund making the investment.

3. INVENTORY:

Inventory is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption.

The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2009 for the governmental fund.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

4. PROPERTY TAX:

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and are payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the School District's taxes and remits them to the School District. School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Current year property taxes receivable which are not available as a resource that can be used to finance the current year's appropriations and therefore are not susceptible to accrual have been deferred and are not reported as revenue.

5. DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments include reimbursements for various programs. These amounts include \$4,931 due from the federal government.

6. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2009 is as follows:

Primary Government

	Balance 7/01/08	Increases	Decreases	Balance 6/30/09
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,800	\$ --	\$ --	\$ 5,800
Capital assets, being depreciated:				
Buildings	771,083	--	--	771,083
Improvements other than Buildings	75,695	--	--	75,695
Machinery and Equipment	978,260	144,673	12,813	1,110,120
Totals	<u>1,825,038</u>	<u>144,673</u>	<u>12,813</u>	<u>1,956,898</u>

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

6. CHANGES IN CAPITAL ASSETS: (CONT'D)

	Balance 7/01/08	Increases	Decreases	Balance 6/30/09
Less accumulated depreciation for:				
Buildings	418,530	12,722	--	431,252
Improvements other than buildings	44,600	3,057	--	47,657
Machinery and Equipment	763,934	45,205	(12,813)	796,326
Total accumulated depreciation	1,227,064	60,984	(12,813)	1,275,235
Total capital assets, being depreciated, net	597,974	83,689	--	681,663
Governmental activity capital assets, net	\$ 603,774	\$ 83,689	\$ --	\$ 687,463

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 36,590
Support Services	15,246
Co curricular activities	9,148
Total depreciation expense-governmental activities	\$ 60,984

Business-type activities:

Capital assets, being
depreciated:

Machinery and Equipment	22,952	--	--	22,952
Totals	22,952	--	--	22,952

Less accumulated depreciation for:

Machinery and Equipment	18,050	1,012	--	19,062
Total accumulated depreciation	4,902	1,012	--	3,890
Total capital assets, being depreciated, net	4,902	(1,012)	--	3,890
Governmental activity capital assets, net	\$ 4,902	\$ (1,012)	\$ --	\$ 3,890

Depreciation expenses was charged to functions as follows:

Business-type activities:

Food Service	\$ 1,012
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WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

7. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	Balance 7/01/08	Increases	Decreases	Balance 6/30/09	Amount Due Within One Year
Governmental Activities					
Promissory Note	\$ 14,238	\$ --	\$ (9,493)	\$ 4,745	\$ 4,745
Early Retirement Payable	62,934	--	(16,594)	46,340	15,170
Capital Outlay Certificates	195,000	--	(35,000)	160,000	35,000
Compensated Absences	3,980	545	(775)	3,750	3,000
Other post employment benefits	--	13,087	--	13,087	--
	<u>\$ 276,152</u>	<u>\$ 13,632</u>	<u>\$ (61,862)</u>	<u>\$ 227,922</u>	<u>\$ 57,915</u>

Promissory Note - Environmental Protection Agency:

During 1992, the school was provided loan funds in accordance with the provisions of the "Asbestos School Hazard Abatement Reauthorization Act of 1990." The note does not bear interest, except that interest, penalty or handling charges may be assessed on any payments in default, in accordance with the Debt Collection Act of 1982. Final maturity of the note is May 30, 2011. The Capital Outlay Fund makes payments on this debt.

\$ 4,748

Capital Outlay Certificates, Series 1997:

The school issued certificates payable out of an ad valorem property tax levy up to \$3 per \$1,000 of taxable valuation. First National Bank of Sioux Falls is the corporate trustee. The principal is due on December 1 each year and an average interest rate that varies, depending on the term of maturity (rates vary from 5.25% to 6.00%) payable semi-annually on June and December 1, commencing June 11, 1998.

\$ 160,000

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

7. LONG-TERM LIABILITIES: (CONT'D)

Early Retirement Payable:

The district maintains a policy for retired Employees, which allows those meeting certain qualifications to receive 75% to 100% of their base salary in different payment options. In the fiscal year 2009 five retired employees received benefits. Early Retirement Benefits payable for government activities typically have been liquidated from the General Fund.

\$ 46,340

Compensated Absences

Compensated Absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

\$ 3,750

Other post employment benefits typically are liquidated from the applicable fund. See Note 13 for a description of the liability for other post employment benefits.

The annual requirements to amortize the promissory note, note payable, and capital outlay certificates outstanding at June 30, 2009, are as follows:

	Promissory Note		Note Payable		
	Principal	Interest	Principal	Interest	
2010	4,745	--	--	--	
2011	--	--	--	--	
2012	--	--	--	--	
2013	--	--	--	--	
	<u>\$ 4,745</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	
	Capital Outlay Certificates		Early Retirement Payable		Total
	Principal	Interest	Principal	Interest	
2010	35,000	8,700	15,170	--	63,615
2011	40,000	6,440	15,170	--	61,610
2012	40,000	4,010	8,372	--	52,382
2013	45,000	1,395	3,814	--	50,209
2014	--	--	3,814	--	3,814
	<u>\$ 160,000</u>	<u>\$ 20,525</u>	<u>\$ 46,340</u>	<u>\$ --</u>	<u>\$ 231,630</u>

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

8. PRIOR PERIOD ADJUSTMENTS:

The beginning net assets for the governmental funds have been restated to correct an error in the government wide financial statements. The Early Retirement Payable was overstated by \$27,025.

9. RESTRICTED NET ASSETS:

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 641,274
Special Education		4,535
Food Service	Federal Regulations	<u>11,054</u>
	Total Restricted Net Assets	<u>\$ 656,863</u>

10. RETIREMENT PLAN:

All employees, except for board members and employees that work less than 20 hours per week, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions.

The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

10. RETIREMENT PLAN: (CONT'D)

the employee's contribution and to also make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$55,914, \$52,260, and \$52,411, (employer's share) respectively, equal to the required contribution each year.

11. JOINT VENTURES:

The school participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	3.9%
Britton School District	6.3%
Castlewood School District No. 28-1	3.5%
Clark School District No. 12-2	4.6%
DeSmet School District No. 38-2	3.7%
Deubrook School District No. 5-2	4.8%
Deuel School District No. 19-4	6.3%
Elkton School District No. 5-3	3.5%
Enemy Swim	1.6%
Estelline School District No. 28-2	3.3%
Florence School District No. 14-1	3.0%
Grant-Deuel School District No. 25-3	2.1%
Hamlin School District No. 28-3	8.1%
Henry School District No. 14-2	2.0%
Iroquois School District No 38-3	2.2%
Lake Preston School District No. 38-3	2.5%
Rosholt School District No. 54-4	2.6%
Sioux Valley School District No. 5-5	7.2%
Sisseton School District No. 54-8	11.5%
Summit School District No. 54-6	1.6%
Waubay School District No. 18-3	2.4%
Waverly South shore School District No. 14-5	2.9%
Webster School District No.	5.7%
Willow Lake School District No. 12-3	2.5%
Wilmot School District No. 54-7	3.2%

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

11. JOINT VENTURES: (CONT'D)

The co-op's governing board is composed of one representative from each member school, who is a school board member. The Board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2009, this joint venture had total assets of \$1,850,558, total liabilities of \$591,406 and net assets of \$1,259,152.

12. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2009, the School District managed its risks as follows:

Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2009, no claims for unemployment benefits were paid. At June 30, 2009, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Workmen's Compensation

The School District purchases liability insurance for workmen's compensation from a commercial carrier.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

13. OTHER POSTEMPLOYMENT BENEFITS:

The Willow Lake School District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, for the fiscal year ended June 30, 2009. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees in the financial statements.

Plan description

The Willow Lake School District Other Postemployment Benefits Plan is a single employer defined benefit OPEB plan. The district provides medical coverage to retired employees and their dependants under certain conditions in accordance with SDCL 6-1-16 and 13-10-3. An eligible employee can elect medical coverage upon retiring under the South Dakota Retirement System which requires age 55 and 3 years of service. Benefits continue until age 65. Spouses may continue until age 65 if the retiree is currently covered. Retirees continue under the same medical and prescription drug plan as active employees. As the valuation of June 30, 2009, there were 44 active and 0 retirees covered by the plan.

Funding policy

The District funds the other post retirement benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required. The retired employees monthly contributions are based on 100% of the full active employee premium rate.

Annual OPEB cost and net OPEB obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB costs for the year ended June 30, 2009, changes in the District's net OPEB obligation, and the percentage of the annual OPEB cost contributed to the plan.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

13. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

	<u>Governmental Activities</u>
Annual required contribution	\$ 13,087
Interest on net OPEB obligation	--
Annual OPEB cost (expense)	<u>13,087</u>
Contributions made	<u>(1,299)</u>
Increase in net OPEB obligation	11,788
OPEB obligation - beginning	--
OPEB obligation - ending	<u>\$ 11,788</u>
 Percentage of annual OPEB cost contribution	 <u>9.9%</u>

Funded Status

As of June 30, 2009 the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the District's unfunded actuarial accrued liability (UAAL) was \$84,939.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, morality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) an include the types of benefits provided at the time of each valuation and the historical pattern of sharing o benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4% per annum, compounded annually discount rate, mortality rates from RP-mortality tables for healthy annuitants and employees for males and females with generational projection, withdrawal rates ranging from 18.20% to 2.3% from ages 25-55, retirement rates ranging from 8%-100% from ages 55-70, spouses' husbands and wives are the same age, 30% of members are assumed to have spouses who elect coverage, 2% per year price inflation, 4% payroll growth assumption, 25% of members are assumed to elect coverage upon retirement, health care cost trend rate range from 9.3% to 4.70%, and a specified amount for retiree monthly claim cost.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 562,839	\$ 562,839
Prior Years' Ad Valorem Taxes	4,000	4,000
Tax Deed Revenue	100	100
Gross Receipts Taxes	35,500	35,500
Penalties and Interest on Taxes	2,000	2,000
Tuition and Fees:		
Regular Day School Tuition	1,250	1,250
Earnings on Investments and Deposits	15,000	15,000
Cocurricular Activities:		
Admissions	12,300	12,300
Other Pupil Activity Income	6,075	6,075
Other Revenue from Local Sources:		
Rentals	350	350
Contributions and Donations	200	200
Charges for Services	7,000	7,000
Other	5,000	5,000
Revenue from Intermediate Sources:		
County Sources:	13,000	13,000
County Apportionment		
Revenue in Lieu of Taxes	1,500	1,500
Revenue from State Sources:		
Grants-in-Aid:		
Unrestricted Grants-in-Aid	756,912	756,912
Restricted Grants-in-Aid	7,035	7,035
Other State Revenue	1,000	1,000
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	97,225	108,526
Other Federal Revenue	10,000	10,000
Total Revenue	1,538,286	1,549,587

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSTIVE (NEGATIVE)
-------------------------------------	------------------------------------------------------

\$	550,794	\$	(12,045)
	2,592		(1,408)
	-		(100)
	46,331		10,831
	1,497		(503)
	1,500		250
	11,560		(3,440)
	9,388		(2,912)
	-		(6,075)
	40		(310)
	-		(200)
	10,665		3,665
	-		(5,000)
	9,652		(3,348)
			-
			(1,500)
	731,519		(25,393)
	6,943		(92)
	-		(1,000)
	138,273		29,747
	13,550		3,550
	1,534,304		(15,283)

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	487,240	487,740
Middle/Junior High	127,244	127,244
High School	402,199	402,699
Preschool Services	1,300	1,300
Special Programs:		
Gifted and Talented	300	300
Educationally Deprived	69,732	74,257
Support Services:		
Pupils:		
Attendance and Social Work	400	400
Guidance	8,106	7,199
Support Services - Instructional Staff:		
Improvement of Instruction	18,322	23,535
Educational Media	64,846	64,846
Support Services - General Administration:		
Board of Education	45,940	45,940
Executive Administration	49,163	49,163
Support Services - School Administration:		
Office of the Principal	64,949	64,949
Other	500	500
Support Services - Business:		
Fiscal Services	50,637	50,637
Operation and Maintenance of Plant	186,497	186,497
Pupil Transportation	132,269	132,269
Support Services - Central:		
Staff	500	500

<u>ACTUAL AMOUNTS</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET-</u> <u>POSTIVE (NEGATIVE)</u>
---------------------------------------------------	---------------------------------------------------------------------------

438,279	49,461
130,889	(3,645)
404,604	(1,905)
715	585

300	-
65,366	8,891

-	
4,444	2,755

17,762	5,773
61,829	3,017

30,034	15,906
48,116	1,047

64,410	539
500	

48,810	1,827
147,445	39,052
99,592	32,677

157	343
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REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO 12-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Expenditures:		
Early Retirement	15,519	15,519
Cocurricular Activities:		
Male Activities	32,246	32,246
Female Activities	22,619	22,619
Transportation	4,887	4,887
Combined Activities	5,689	5,689
Contingencies	60,000	60,000
Total Expenditures	1,851,104	1,860,935
Excess of Revenue Over (Under) Expenditures	(312,818)	(311,348)
Other Financing Sources:		
Transfers In	-	-
Sale of Surplus Property	500	500
Total Other Financing Sources	500	500
Net Change in Fund Balances	(312,318)	(310,848)
Fund Balance - Beginning	251,559	251,559
Fund Balance - Ending	\$ (60,759)	\$ (59,289)

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSTIVE (NEGATIVE)
16,594	(1,075)
24,088	8,158
17,278	5,341
6,968	(2,081)
5,353	336
-	60,000
1,633,533	227,002
(99,229)	211,719
-	-
-	(500)
-	(500)
(99,229)	211,219
251,559	-
\$ 152,330	\$ 211,219

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 258,306	\$ 258,306
Prior Years' Ad Valorem Taxes	1,000	1,000
Penalties and Interest on Taxes	900	900
Earnings on Investments and Deposits	11,000	11,000
Other Revenue from Local Sources	-	-
Other Federal Revenue	1,000	1,000
Total Revenue	272,206	272,206
Expenditures:		
Instruction:		
Regular Programs:		
Elementary	45,300	45,300
High School	51,900	51,900
Special Programs:		
Programs for Special Education	2,000	2,000
Support Services - Instructional Staff:		
Educational Media	2,500	2,500
Support Services - Business:		
Fiscal Services	5,500	5,500
Facilities Acquisition and Construction	122,000	122,000
Operation and Maintenance of Plant	42,600	42,600
Pupil Transportation	69,373	69,373
Food Services	6,000	6,000
Debt Services	63,849	63,849
Cocurricular Activities:		
Male Activities	9,177	9,177
Female Activities	10,677	10,677
Contingencies	20,000	20,000
Total Expenditures	450,876	450,876
Excess of Revenue Over (Under) Expenditures	(178,670)	(178,670)
Other Financing Sources:		
Proceeds of General Long-Term Liabilities	49,000	49,000
Total Other Financing Sources (Uses)	49,000	49,000
Net Change in Fund Balances	(129,670)	(129,670)
Fund Balance - Beginning	768,865	768,865
Fund Balance - Ending	\$ 639,195	\$ 639,195

ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET - POSTIVE (NEGATIVE)
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\$	188,994	\$	(69,312)
	1,076		76
	675		(225)
	8,772		(2,228)
	269		269
	-		(1,000)
	199,786		(72,420)

	30,063		15,237
	41,262		10,638
	-		2,000
	341		2,159
	3,175		2,325
	69,716		52,284
	34,812		7,788
	79,223		(9,850)
	-		6,000
	55,409		8,440
	3,332		5,845
	10,044		633
			20,000
	327,377		123,499
	(127,591)		51,079
	-		(49,000)
	-		(49,000)
	(127,591)		2,079
	768,865		-
\$	641,274	\$	2,079

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	BUDGETED AMOUNTS	
	ORIGINAL	FINAL
Revenues:		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 180,840	\$ 180,840
Prior Years' Ad Valorem Taxes	1,300	1,300
Penalties and Interest on Taxes	500	500
Earnings on Investments and Deposits	700	700
Other Revenue from Local Sources:		
Charges for Services	6,500	6,500
Revenue from State Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid	64,395	64,395
Revenue from Federal Sources:		
Grants-in-Aid:		
Restricted Grants-in-Aid Received from Federal Government Through the State	41,500	41,500
Total Revenue	295,735	295,735
Expenditures:		
Instruction:		
Special Programs:		
Programs for Special Education	267,616	267,616
Support Services:		
Pupils:		
Guidance	859	859
Psychological	16,310	16,310
Speech Pathology	31,760	31,760
Student Therapy Services	27,469	27,469
Support Services - Instructional Staff:		
Improvement of Instruction	4,050	4,050
Support Services - General Administration:		
Board of Education	1,782	1,782
Support Services - Special Education		
Administrative Costs	2,495	2,495
Transportation Costs	1,450	1,450
Other Special Education Costs	1,150	1,150
Total Expenditures	354,941	354,941
Excess of Revenue Over (Under) Expenditures	(59,206)	(59,206)
Fund Balance - Beginning	(6,684)	(6,684)
Fund Balanace - Ending	\$ (65,890)	\$ (65,890)

ACTUAL AMOUNTS (BUDGETARY BASIS)		VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)	
\$	174,867	\$	(5,973)
	753		(547)
	309		(191)
	-		(700)
	5,703		(797)
	86,617		22,222
	45,990		4,490
	314,239		18,504
	225,620		41,996
	505		354
	16,000		310
	31,763		(3)
	26,948		521
	337		3,713
	646		1,136
	-		2,495
	1,201		249
	-		1,150
	303,020		51,921
	11,219		70,425
	(6,684)		-
\$	4,535	\$	70,425

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

2. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2009.

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT 12-3
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - unit credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/09	-	84,939	84,939	0.00%	n/a	n/a

Only one year of the three year trend will be completed in the first year of presenting this schedule.

Listing of Cost Methods to Insert Above:

1. Unit Credit
2. Entry Age
3. Attained Age
4. Aggregate
5. Frozen Entry Age
6. Frozen Attained Age